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July 3, 2017

VIA DELAFILE

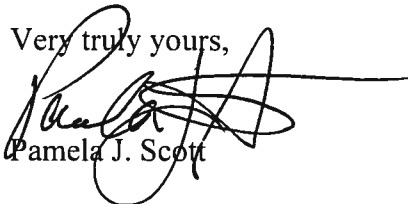
Donna Nickerson
Secretary
Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

Re: Docket No. 16-0650 – Delmarva Power & Light Company
Gas Rate Refund Plan

Dear Ms. Nickerson:

In compliance with PSC Order No. 9049, dated June 6, 2017, in the above referenced docket, attached please find Delmarva Power & Light Company's Gas Rate Refund Plan. Please note that the form of this Rate Refund Plan is consistent with prior rate refund plans submitted in other dockets.

Please feel free to call me at (302) 429-3143 or Pamela Long (302) 451-5292 if you have any questions regarding this matter.

Very truly yours,

Pamela J. Scott

Attachment

cc: Service List in Docket No. 16-0650
Robert Howatt (w/attachment)

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION)	
OF DELMARVA POWER & LIGHT COMPANY)	
FOR AN INCREASE IN GAS BASE RATES)	PSC DOCKET NO. 16-0650
AND MISCELLANEOUS TARIFF)	
CHANGES)	
(FILED May 17, 2016)	

Delmarva Power & Light Company Refund Plan

In compliance with the Delaware Public Service Commission Order No. 9049 in Docket No. 16-0650, Delmarva Power & Light Company (Delmarva or Company) submits its Gas Refund Plan (Plan) as discussed below.

I. Background

On May 17, 2016, Delmarva filed an application with the Delaware Public Service Commission (Commission) seeking approval of (a) an increase in its gas base rates, and (b) miscellaneous tariff changes. In its application, Delmarva requested an increase in annual operating revenues of approximately \$21.5 Million¹ or a 10.4% increase over then current rates.

On June 7, 2016, the Commission issued Order No. 8899 which permitted Delmarva to implement interim rates of \$2,500,000 sixty (60) days following the filing of its application (July 16, 2016), as permitted by the provisions of 26 *Del. C.* §306 (c).

On December 1, 2016, the Commission issued Order No. 9000. This Order confirmed that Delmarva has the statutory right, pursuant to 26 *Del. C.* §306(a)(1), after the expiration of seven months from the filing of its rate increase to place into effect an interim increase, subject to refund, so long as said rates will not produce an increase in excess of 15% of the Company's annual gross operating intrastate operating revenues. This Order also required Delmarva to submit a refund bond, without surety. On December 8, 2016, Delmarva submitted a rate refunding bond, without surety, in the amount of \$12,917,502². On December 17, 2016, the seven months had elapsed and Delmarva put a rate increase of approximately \$10.4 Million into effect.

On April 6, 2017 Delmarva, Commission Staff, and the Division of the Public Advocate entered in to a Settlement Agreement in this docket. Following the hearing on the settlement held by the Hearing Examiner on April 7, 2016, on May 31, 2017, the Hearing Examiner issued his Findings and Recommendations whereby he recommended approval of the Settlement Agreement. On June 6, 2017, the Commission voted to approve the Hearing Examiner's Findings and Recommendations and the Settlement Agreement, pursuant to Order No. 9049.

¹ Delmarva revised its request to \$22.225 million with the filing of its rebuttal testimony on February 10, 2017.

² The amount of the surety bond of \$12,917,502 covered the \$2,500,000 rates that went into effect on July 16, 2016 as well as the additional \$10.4 million in rates that went into effect on December 17, 2016.

In approving the Settlement Agreement, the Commission approved a total revenue requirement increase of \$4.9 million to be effective on July 1, 2017. This amount is less than the final distribution rates placed into effect. As a result, Delmarva's customers are entitled to a refund, plus interest, for the period between when Delmarva's requested full rate increase was placed into effect on December 17, 2016 and when the final approved rates were placed into effect on July 1, 2017. This Plan is filed in compliance with the provisions of Paragraph 9 of the Settlement Agreement and Ordering Paragraph 4 of Commission Order No. 9049.

II. Applicability of the Refund

Any Delmarva gas customer who received service from December 17, 2016 through June 30, 2017 is entitled to a refund for the difference between the final ordered rates and the rates placed into effect on July 1, 2017. This includes customers who are active and those that have left the Company's system. If a customer has left the Company's system, it means that they are no longer a Delmarva customer.

III. Proposed Timing of the Refunds

The Company plans to process all refunds over the weekend of August 12, 2017; however, if the volume of processing requires additional time, the Company will complete processing of the refunds over the next weekend of August 19, 2017.

IV. Mechanics of the Rate Refund

The Company's Billing System rate refund process uses a batch system that recalculates billed revenue using the final rate factors (July 1, 2017 rates) compared to those used in the actual bill calculation (December 17, 2016 rates). The process begins with a request from the Regulatory Compliance team that identifies the time frame affected by the rate change, as well as the final approved rate factors that replace the original rates used during the actual billing process.

The final approved rate factors are loaded in the rate refund tables within the production system effective with the December 17, 2016 date. These rates replace the rates that had been in effect during the dictated time period. Based on the request from the Regulatory team, the rate refund process is set up to select the accounts and bill periods that potentially require a refund. This process selects active and inactive accounts. Once the accounts are identified, the refund process recalculates the revenue based on the final approved rates for each account and bill period affected. The recalculated revenue is compared to the original billed revenue and the difference is the refund adjustment. Reports are produced that list each account and adjustment by bill period. Selected accounts from the reports are reviewed to ensure that the recalculated revenue and the adjustment amounts are correct. Reports are generated to identify exceptions which are reviewed and adjusted manually, if necessary.

Next, a file is created with each account and the accompanying refund adjustment. This file is used to calculate interest and post adjustments to the customer's account. Reports are produced from this process and selected accounts are reviewed to verify the accuracy of the interest calculated and that the adjustments are posted correctly. Adjustments are posted as separate lines for each bill period. Interest is also displayed as a separate line item by bill period.

After the refund adjustments are posted, revenue reports are produced with the adjusted revenue. Reports detailing this information are then provided to Revenue Accounting. The refund adjustment, where applicable, appears on the bill as a line item in the "Billing Summary" section of the bill. Accounts are reviewed in production and selected bills are verified.

Due to the volume of adjustments and the processing time involved, this rate refund will be processed beginning the weekend of August 12, 2017. Any refund issued to an inactive account will have an adjusted bill sent which will reflect the amount of the refund plus interest.

V. Interest Rate to be Applied

The rate refund interest rate to be applied in this instance is the prime rate of 3.71% pursuant to the provisions of 26 *Del. Admin. C. 1003*. Interest will be calculated based on the overpayment for the billing periods being refunded, from December 17, 2016 through the date of the credit adjustment.

Interest will be calculated on each adjustment amount. The interest calculation is as follows:

Interest amount rounded = (elapsed days * (adjustment amount) * interest rate) / 365

Elapsed days = calendar day difference between refund date and period end date.

The refund adjustments will appear on the next regularly scheduled bill after the adjustment is posted. The adjustments and interest will be combined as one line item on the bill with the description: "Rate Refund + 3.71% Interest"

VI. Customer Communications

A general statement alerting customers about the Gas Rate Refund will be included in the July 2017 bill insert. After the credits are posted, a message will appear on the bill when it is printed. Also, a News Release will be made jointly with the Gas Rate Refund information. Attached are the Call Center Frequently Asked Questions.

VII. Reporting Requirements (Summary of total refund dollars)

Sixty (60) days after the last refunds are posted, Delmarva will provide the Commission with a summary report of the refunds applied to customer accounts; interest paid will be reported separately.

VIII. Customer Care Credit and Collections Process

The credit adjustments will be applied toward the customer's account arrearages. If the same customer with the Company has an inactive account and an active account, after the credit adjustments are applied to the inactive account, any remaining credit adjustments would then be moved to the customer's active account. If a customer has an inactive account but no active account with the Company, after the credit adjustments are applied to the inactive account, a refund check will be issued. If a customer has a charged off account with the Company, the account will be reinstated (removed from charged-off status), the credit adjustment will be applied and if there is still a balance, the status would be charged off. The collection agency will

be notified of updates to charged-off accounts. Delmarva's uncollectible balances will be reduced by these credit adjustments.

Delaware Natural Gas Rate Refund Communications Plan DRAFT 07/03/17

Background:

On May 16, 2016, Delmarva Power filed for a natural gas distribution rate increase of \$21.5 million with the Delaware Public Service Commission (Commission). On July 16, 2016 Delmarva implemented a temporary natural gas distribution rate increase of \$2.5 million in accordance with Delaware law. Thereafter, on December 17, 2016, pursuant to Delaware law, Delmarva Power implemented a temporary natural gas distribution rate increase of \$10.4 million while it awaited a final decision from the PSC on the original rate increase request.

In June 2017, the PSC approved a natural gas rate increase of \$4.9 Million, which took effect on July 1, 2017. An estimated portion of the \$8.4 Million annual difference between rates implemented on an interim basis and rates approved by the Commission will be refunded to Delmarva Power's Delaware customers, beginning August 12, 2017. The refund amount will include interest to customers as required by law.

Key Messages:

- Because the Commission approved an amount less than the Company's full request, customers will be issued a refund based on each customer's use multiplied by the difference between the amount of the temporary increase and the final amount approved by the Commission. The customer refund, which by law includes interest to customers, is owed for the time period of December 2016 through June 2017.
- The typical residential customer who uses XX* of natural gas a month should expect to see a total rate refund of approximately \$XX* plus interest. This total rate refund will be issued to all customers in the form of a bill credit, beginning August 12, 2017.
- The refund interest rate is the prime rate, which is 3.71 percent

A much smaller percentage of customers will receive their refund by check. These customers had active accounts between December 2016 and June 2017 but no longer have an active Delmarva Power natural gas account.

- Interest amounts will be calculated based on the overpayment of the billing periods being refunded, from December 17, 2016 through the date of when the credit is issued to the customer.

- The amount of the refund, in the form of a bill credit, will be shown as a line item on customers' bills.

SPECIAL NOTE TO CUSTOMER CARE:

Customers on budget billing will not see the refund amount as a line item on their bill. The refund amount will be deducted from their budget balance. The refund amount and the interest amount can be seen as separate line items.

Frequently Asked Questions:**1) Why am I getting a refund?**

The customer refund, which includes interest, is owed from when Delmarva implemented the full amount of its temporary base rate increase request in December 2016. Because the Commission approved a base rate increase that was less than the Company's full request, customers are being issued a refund, which includes interest, in the form of a bill credit.

2) How did you determine the interest rate?

By law, the refund interest rate is the prime rate, which is 3.71 percent.

3) Is the refund the same for everyone?

No, your refund is determined by how many ccfs of natural gas you used during those seven months (December 2016 through June 2017) when you were paying a higher natural gas distribution rate.

4) How did you determine the refund amount?

The refund is the difference in the rate you were charged from December 2016 through June 2017, and the rate that the Commission approved, which took effect on July 1, 2017. We multiplied the difference in rates by the amount of natural gas you used for those seven months to determine your refund amount. We then multiplied your refund amount by the prime interest rate to determine how much you were owed.

5) If I have an overdue balance, will this refund be applied to it?

Yes, a bill credit will be applied first to reduce any past due amounts.

Proposed Bill Message (196 characters w/spaces):

This bill includes a natural gas refund credit, which includes interest. The refund is due to customers for higher delivery rates charged from December 2016 through June 2017 while interim rates were in effect pending final approval by the Delaware Public Service Commission.

DRAFT NEWS RELEASE

In May 2016, Delmarva Power filed an application with the Delaware Public Service Commission (Commission) for a natural gas distribution rate increase. In July of 2016, pursuant to Delaware law, Delmarva Power implemented a temporary natural gas distribution rate increase of \$2.5 million. Subsequently, in December 2016, as permitted by Delaware law, Delmarva Power implemented a temporary natural gas distribution rate increase of \$10.4 million, in Delaware, while it awaited a final decision from the Commission regarding its request to raise natural gas distribution rates.

In June 2017, the Commission approved a natural gas distribution rate increase of \$4.9 million, which took effect on July 1, 2017. An estimated \$8.4 million difference between rates implemented and rates approved from December 2016 through June 2017 will be refunded to Delmarva Power's Delaware customers, beginning August 2017. The refund amount will include interest, paid to the customer.

The typical residential customer who uses XX* ccfs of natural gas a month should expect to see a total rate refund of \$XX*, plus 3.71 percent interest. This total rate refund will be issued to all customers in the form of a bill credit, beginning August 12, 2017.

A much smaller percentage of customers will receive their refund in the form of a check. These customers had active accounts with Delmarva between December 2016 and June 2017 but no longer have an active Delmarva Power gas account.